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By
ALFRED BAKER LEWIS

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LABOR, MACHINES AND DEPRESSIONS

By ALFRED BAKER LEWIS

Since the beginning of the Great Depression in 1929, millions of men and women throughout the country have speculated on the root causes of economic depression.

Some have maintained that the present economic crisis, and those in the past, were due to a faulty money system. Some have argued that the war and its aftermath were at the roots of our present difficulties. Still others have contended that unemployment and industrial depressions are inherent in a system of industry under which one class owns the machinery of production and distribution, with a view to maximum profit, while another class, the working class, is hired by the owners and receives for its labor only as much as capital is compelled to pay.

The last theory, long held by Socialists and followers of allied schools of thought, is being accepted by increasing numbers of men and women throughout the world, who, in our machine civilization, find it ever more difficult to secure employment.

How valid is this theory? Is our present capital-labor relationship responsible for our menacing unemployment problem? Is the coming of the machine, and the ending of frontier conditions and free lands in this country, intensifying this problem?

In the following pages, I will endeavor to throw some light on this question and to point a way to a more secure economic order. I will attempt, among other things, to analyze how labor and capital actually interact in our modern complex industrial system.

Under our capitalist order, conservative and radicals alike teach that labor, or, more accurately, labor power, is a commodity which is

sold by the workers and bought by the owners of industry in the course of production, the price of labor being roughly the wage or salary paid. Labor is not a commodity, but labor power is treated like a commodity. This has long been Socialist doctrine.

Conservative economists picture an entrepreneur or corporation as starting out by buying raw materials, hiring additional capital if necessary by issuing bonds, and hiring labor, which, fundamentally, means buying labor power.

Of course, when a customer is getting a second-hand Ford car, he wants to pay a low price, while the seller wants to obtain a high price. The interests of the buyer are opposed to the interests of the seller. When a housewife purchases turkeys at Thanksgiving, she is pleased if the price is low. The man who grows and sells the turkeys is correspondingly displeased. So it is when labor power is being bought. The owners of industry want to buy a worker's labor power as cheaply as possible per unit of output. The workers want to sell their labor for a high a price, i.e. as high a wage, as possible.

Buying labor power cheaply does not necessarily mean that the owner seeks to give the lowest possible weekly wage. The owner is interested primarily in low labor costs, and such low costs may frequently be secured by employers through paying higher than the market rate of wages, provided that they get a more than proportionate increase in output. They may give higher individual wages, but their purpose is still to cut down the total wage bill for a given amount of output.

The Labor-Capitalist Struggle in Modern Industry

This opposition of interests gives rise to the Class Struggle between workers who want a high price for labor power and full production and employers who want a low price. Those who proclaim the existence of the class struggle, do not create that struggle, nor any particular manifestation of it. They merely point out that this clash of class interests exists, and try to get the workers

to act intelligently in view of the undeniable opposition of warring economic interests between those who own industry and want to buy labor power cheaply, and those who sell their labor power and want to obtain in return a high price.

Socialists are not surprised at the fact that capitalists seek cheaper labor, nor do they get angry at individual capitalists. They simply teach that the class struggle is inevitable as long as capitalism exists.

No doubt the average individual employer does not think of his "hands" as so much labor power. He likes to consider them fellow human beings. Sometimes an employer expresses the thought that he and his employees are one big happy family, with himself, of course, as the head of the family, though that qualification is not always or even usually so explicitly set forth.

But it is not easy for the owners of industry under modern conditions really to act toward their employees as such humanitarian terms imply. For modern industry is carried on increasingly by corporations. The owners of stock in the company may be, and usually are, absentee owners. As stockholders, they are part owners in the concern, but most of them never meet the employees face to face, and, therefore, cannot have much personal interest in them. Frequently they live far away from the community where the industry in which they own stock is carried on. Indeed, since large scale corporations tend to conduct plants located in various sections of the country, the owners could not possibly live at one and the same time in all of the places in which the business is carried on.

Owners tend increasingly not only to be absentees, but to be temporary owners as well. Thousands of them buy stock, either outright or on a margin, primarily to hold it until the price of the stock rises and then to sell it at a good profit. It is plainly asking too much of human nature to expect such merely temporary owners to have any sense of real responsibility for the welfare of their employees whom they never see, in a company in which only temporarily they own an undivided share.

Trade journals and the financial pages of the newspapers commonly speak quite frankly of the labor market and of labor costs. They

thus openly indicate that they have given up even the attempt to think of labor as human beings.

Whether or not a particular owner of industry is a shareholder in various companies or an individual employer, whether or not he pictures himself as the head of a happy industrial family, he, by and large, acts as though labor costs had to be reduced to a minimum, with a view to maximum profit. If he does not act that way, competition and the pressure of dividend-hungry stockholders soon force him to do so.

Reducing Wages

IN TRYING to buy labor power cheaply, the owners of industry employ several devices. The simplest and most obvious of these is to cut wages. The owning class can reduce wages, and they do so, particularly during periods of unemployment. From a human point of view, that may, from a number of angles, be the worst time to make a wage reduction. For, at such a time, many of the workers are compelled to support unemployed members of their families. But in business, it is usually the business, not the humanitarian point of view, that governs. During the worst of the depression which began in 1929, wages were cut in many parts of the country, even for adults, to $5.00 and $6.00 a week. Of course, if wage cuts were always accompanied by large reductions in prices and sustained volume of production they might make possible a higher income than under a rigid wage policy. But reductions in price are usually strenuously resisted by employers.

Whenever men are getting somewhat higher pay and the work can possibly be done by women, there is a strong tendency for the employers to discharge the men and employ the women. The reason for this is that women as a rule work more cheaply than do men. To the extent that anti-child labor laws permit, children too are used to displace adults. In fact, experience shows that we must have laws to prevent children from literally being sucked into the jaws of industry at a tender age. Among the Southern sharecroppers, or, in some

states, among the beet and tobacco growers, children are expected to work at grammar school age. In fact, schools are frequently so run as not to interefere with the labor of children in industrialized agriculture.

Increasing Prices

SOMETIMES it is difficult for employers to cut wages as a means of reducing labor costs. The workers may be strongly organized. Laws or public opinion may prevent the employment of women or children. The condition of the labor market may make workers comparatively independent, and assure them of obtaining another job if they leave their employer. Unable to reduce wages, employers often seek to raise prices, with a view to higher profits. This has the effect of lowering real wages. A 10 per cent rise in wages is often preceded or followed, where competitive conditions permit, by a 10 per cent jump in prices. Since wages are only a part of the selling price, such an increase—assuming that the volume of sales remains the same—will mean much more than a 10 per cent increase in profits. Since prices as a whole largely determine the cost of living, such price changes mean a distinctly lower standard of living for all those workers whose wages have not been increased.[1]

Speeding-Up Labor

EMPLOYERS seek to reduce labor costs not only through the lowering of wages and the raising of prices, but also through the "scientific" schemes for enforcing speed-ups on workers. Naturally the human machine can be driven faster per hour when it is only working 36 or 40 hours per week than when it is working 54 or 60 hours. Hence employers frequently try to counter reductions in the hours of labor with intensified speed-ups. This tendency

[1] It is unfortunately the case that employers are not the only boosters of prices. Labor in individual industries occasionally joins with capital to support a high price policy in return for reduced opposition to wage increases.

was very marked during N.R.A. code days. The codes were supposed to provide, and usually did provide, for a reduction in the hours of labor. The employers usually followed such reduction with the installation of a speed-up system. The nation-wide textile strike of 1934, in which fourteen textile strikers were killed by the militia, was caused primarily by the speed-up system used by the employers.

The human machine like any other machine does not work so well or so fast when it begins to get old. Consequently, the employer does not want older men. If an industrial worker of forty-five loses his job today, he has very little chance of obtaining another. He frequently cannot stand the high speed of modern industry. Like inanimate machines that are obsolete, he is ready for the industrial scrap-heap. He is not politically on the scrap-heap, however, so he and his wife may swell the ranks of the Townsendites, or go crusading for "$30.00 every Thursday."

Some economists have defended such speed-up systems which do no physical damage to the workers, on the ground that they add to the total output and the total income of the country. Theoretically, this may be true, but only if two conditions are met. First, the speed-up system must not be carried so far that an older man of fifty-five or sixty, no less than a young man, is unable to keep up the pace without physical hardship. Otherwise the speed-up adds to the tragedy of those past middle age who are driven into the ranks of the unemployed. Secondly, the speed-up would have to be accompanied by a raise in wages or a reduction in prices commensurate with the gains resulting from the increased speed-up. Otherwise the tendency, always present under capitalism, to have output outstrip purchasing power, will be greatly strengthened.

It may well be doubted whether any actual speed-up system ever met these two conditions. If it met them, the advantages of the speed-up would be passed on to the workers or consumers, and the employers would receive no increased profits. Under such circumstances, employers would usually not trouble to initiate a speed-up system.

These drives toward reduced wages, high prices, and the introduction of speed-up systems are the result, not of the reactionary char-

acter of any particular employer, but of competitive conditions over which the individual employer has little or no control. A given employer may not want to cut wages or to install a speed-up system. He may genuinely take to heart the Biblical injunction that all men should regard each other as brothers, and feel that wage-cutting and speeding-up are unethical and unbrotherly. But there will be among the concerns competing with him some employers who are more hard-boiled, or, to use a question-begging term, more ruthless. These more hardboiled or ruthless firms may successfully cut the payroll or enforce upon their employees a speed-up system. The competition of these employers may then force the others in the industry to do the same thing. If any employer fails to follow their lead, he faces the danger of being undersold by his more profiteering competitors and forced out of business. He decides to stay in business, if possible, and tries to take it out on his workers. Thus competition brings pressure to bear upon large numbers of competing employers in any given line of production to be as ruthless in their efforts to reduce labor costs as the most vigorously and ruthlessly selfish of them all. Competition tends to curdle the milk of human kindness and concentrate the gall of greed.

Shifting Industry

IN THE United States this sort of competition in reducing labor costs is especially disastrous in its effects on labor standards. The vastness of the country and the wide differences in living standards afford to the owners of industry a peculiarly inviting opportunity to move from high wage areas to low wage areas, in semi-rural districts, or in the South. The clothing industries in New York, where the unions are well and strongly organized, are faced constantly with the problem of so-called "run-away shops" which move out of one center to other parts of the country where the unions are weak and wage rates are low.

Nor is this tendency limited to New York. It exists wherever wages have been raised successfully by vigorous union action, or wherever labor legislation especially favorable to the workers has been en-

acted by the use of labor's political pressure. Lynn, Massachusetts, for instance, was a great center years ago for the manufacture of women's shoes. The workers there were strongly organized and, compared with other crafts, reasonably well paid. The employers disapproved of paying high wages, and gave effective expression to their objection by moving out of Lynn to Northern New England or to some of the small towns of Massachusetts, where unionism was not so well established.

The textile industry has been steadily migrating southward for nearly a generation, attracted chiefly by markedly lower wage rates. The papermaking, the furniture, and other manufacturing industries are doing the same thing. In 1909, the value of manufactured goods turned out in the South Atlantic, East South Central, and West South Central states was $2,637,117,000, while, for the country as a whole, their value was $20,672,052,000. In that year, the South produced 12.8 per cent of the country's manufactured goods. By 1935 the South's manufacturing output had increased to $7,502,814,000, an advance of 284 per cent. The country as a whole, on the other hand, increased its manufacturing output only by 221 per cent. The proportion of all manufacturing done in the South, with its attraction of cheaper labor, had gone up during the 1909-35 period from 12.8 per cent to the 16.4 per cent.[3]

The well-known reason for this migration of industry is, in general, the lower living standards in the South. These low standards are due partly to the deliberate policy of the majority of Southern white men of keeping the Negro in the position of a very low paid industrial worker or tenant farmer. The presence there of great numbers of poorly paid Negro workers has tended powerfully to keep down the pay of white workers as well. For employers can hire plenty of cheap Negro labor whenever white workers ask for wages which employers consider too high. The Southern white worker cannot keep the Negroes in the gutter without being compelled to go there himself, so far as his living standard is concerned. The wage differential between North and South is one of the most effective barriers to high

[3] Figures from *Thirteenth Census Reports,* Volume VIII, p. 77; and from *Census of Manufactures,* 1935, p. 20.

wages in manufacturing industries that organized labor in the United States has to face.

The political character of the South has also had its effect on wage standards. Most Negroes in the South in actual practise are denied the right to vote. Such denial has greatly reduced the political strength of Southern workers, and has made it more difficult for them to defend themselves politically than it has been for their brothers in the North. For these and other reasons, labor legislation in the South is usually behind that of other sections. Local government officials in the South have shown themselves more bitterly and more uniformly antagonistic to labor than elsewhere. Of the 14 textile workers killed during the 1934 nation-wide textile strike, only two were killed in the North. The others were shot south of the Mason-Dixon line.

Of course, industrialization of the South, under proper labor conditions, would have many advantages to the South and the nation as a whole. It is the labor policy pursued by employers which makes the present period, during which industry tends to migrate Southward, especially depressing on labor standards.

Unfortunately for the workers, the Roosevelt administration has given official government sanction to the wage differential between North and South by setting minimum wages on the W.P.A. much lower in the South than in the Northern manufacturing centers. At the beginning, Roosevelt himself actually named $19 a month as the minimum in the deep South![3] The W.P.A. wage scales are vastly different in these two sections. This reflects the failure of the Democratic administration to run counter to Southern prejudice against "spoiling the Negroes" (and the unskilled white worker as well).

The Wage and Hour Bill is an improvement in this respect. But its rates are fixed so low as to make it inapplicable to any but the most unskilled workers, and it does not touch at all the wage differential found among workers above such unskilled groups.

The wage worker in the North as well as in the South pays dearly for the race prejudice prevailing among many sections of the South-

[3] New York *Times*, May 21, 1935.

ern population. For he is constantly in fear of employers moving their plants to the South, should the workers demand higher wages. The only gainers from this race antagonism, of course, are the employing class, especially those large corporations which operate plants both in the North and South, and which can transfer work to their Southern mills if labor in the North clamors too vigorously for better pay.

Installing New Machinery

While the cost of labor power is reduced by the various devices cited above, it is cheapened most spectacularly through the introduction of new labor displacing machinery. The use of wage cuts has one disadvantage from the point of view of the employer: it arouses the opposition of the surrounding community. Most of us have a natural sympathy for the underdog, the smaller and weaker party in any struggle in which we are not ourselves the topdog. So, when a corporation executive, who is receiving a big salary and perhaps a substantial return from investments as well, decrees a wage cut for the average poorly paid employee, we tend to disapprove. From the company's viewpoint, such a cut may be bad for public relations. But the great American worship of progress and efficiency is such that the introduction of labor displacing machines usually leads to little articulate disapproval.

To prevent such discontent from crystallizing and to increase his profits, the employer is constantly engaged in preaching the advantages of increased mechanization. For one thing, he places emphasis on the machine as a "labor saving" device. Everyone likes to save labor, especially his own labor.

The real reason, of course, why the employer introduces the machine is not to save the workers labor, but to increase the profits for himself and his concern. When a machine that enables one man to do the work formerly accomplished by two is invented and installed, the two men who formerly operated the old machine do not find their labor halved. They do not work at half the pace, nor do they labor for half the number of hours at the same weekly pay. One man usu-

ally loses his job, the other usually receives the same pay and turns out twice the output. The machine under capitalism does not save labor, it displaces labor. What it saves is wages, the wages that the employer would otherwise have to pay.

Of course, when a machine is introduced which enables one employee to do the work of three or four, it does not mean a net saving of the wages of two or three men. For it costs money to pay labor to make the machine and to keep it in repair. However, there is some net saving of wages and some displacement of labor; otherwise it would not pay the employer to install the machine.

This discussion concerning machines does not, of course, imply that the introduction of machinery under proper conditions should be discouraged. Machinery may be an incalculable blessing to civilization. But to be of maximum benefit, it should not be controlled by those who have dedicated their efforts to the making of maximum profit. Machinery tends to be harmful when used to increase profits by reducing labor costs. It is beneficial when it is used to increase leisure by reducing the hours of labor, or to raise the standard of living by reducing prices or by increasing wages proportionately to the increased productivity.

LOW WAGES AND UNDERCONSUMPTION

LABOR is, of course, not merely a commodity to be bought as cheaply as possible by the employer. Labor, through its wages, is also one of the most important pipelines by which mass purchasing power is brought into the field of industry. The cutting down of wages—other things being equal—tends to choke off the beneficial flow of purchasing power from one of its most important sources. When an employee gets a wage cut, he usually produces as much as before, but he cannot buy as much. When he is speeded up, he produces more than before, but he cannot buy more. When labor-displacing machinery is installed, the displaced employees lose

their buying power. Such losses, unless accompanied by a proportionate decrease in price which would pass on to the consumer the full advantage of the labor displacing machinery, strengthen the tendency from which capitalism suffers to be overtaken periodically by its bugaboo of underconsumption (sometimes called overproduction), with the necessary result of unemployment and hard times. Needless to say, there seldom are such proportionate reductions in price. For the owners of industry do not install labor-displacing machinery for the fun of helping the consumer. They want to obtain greater profits, and that means that they strive with all their economic might to keep prices at or only slightly below the level prevailing before the new machines were put in operation.

This situation constitutes one of "the inner contradictions of capitalism", and one of the causes of the constantly recurring periods of glut and unemployment which have characterized the capitalist system from its inception. "Labor does not get enough to enable it to buy back the value of what it produces", say the Marxists. They are right. The figures available, while incomplete, tend to prove the correctness of this theory.

Trends in Employment

Reduced Employment in Manufacturing

BETWEEN 1919 and 1929, the government's figures show that the actual physical output of manufacturing industries increased by 42 per cent. This 42 per cent larger output was produced by 6 per cent fewer people. The population had increased by 15 per cent during that decade. Yet manufacturing was employing fewer workers. This decreased working staff turned out 42 per cent more goods.[4] To a limited extent this may have been due to the introduction of speed-up and efficiency systems. But most of it was due to new labor displacing machinery and the increased use of electrical energy.

[4] *Biennial Census of Manufacturers*, 1931, pp. 18, 19, 20.

If the owners of industry had raised wages to a degree commensurate with increased productivity, there would have been little question of widespread and serious unemployment. As the workers produced more, they could have bought more. Or if the employers had commensurately reduced the hours of labor without a pay cut, again there would have been no such tragic unemployment. A sensible Cooperative Commonwealth of Labor, of course, would have done a little of both.

However, as I said before, the employing class do not install new machinery with the object of advancing living standards or increasing leisure. They intended such devices to reduce their labor costs, or, in other words, to help them to buy labor power more cheaply. So, when they secured 42 per cent more goods, they raised wages only 11 per cent on an average, according to the government's figures,[5] and did not lower prices sufficiently. Naturally one cannot in the long run sell 42 per cent more goods to people with only 11 per cent more pay on any price basis that is satisfactory to the owners of industry. At the end of the twenties, the country witnessed what the business statisticians and non-Marxian economists called "overproduction". To be more accurate, we had what was in fact under-consumption, because the workers were not able with their pay checks to buy back the value of what they produced.

Labor Shrinkage in Transportation, Mining and Agriculture

The rapid introduction of more effective machinery (more effective, that is, from the point of view of displacing labor) has the same tendency to increase output, while reducing employment and payroll, and thus bringing about hard times, in other industries besides manufacturing. Railroad transportation tells a similar story of how labor is gradually reduced, because it is a cost of production. In 1920 Class I Railroads had a total of 2,022,832 employees and moved 447,278,209,869 ton miles of freight, a total of

[5] Ibid.

221,096 ton miles per employee. The total payroll was $3,681,-801,193. One dollar of payroll thus moved 121 ton miles of freight.

By 1929, the number of employees had been reduced to 1,660,851. But the total ton miles of freight in that year had grown to 489,-887,393,000, an increase of 9.5 per cent. The average number of ton miles of freight per employee had thus increased to 294,995, an increase of 33 per cent. Railroad payrolls likewise declined from $3,-681,801,193 in 1920 to $2,896,566,351 in 1929, a drop of 21.3 per cent. One dollar of payroll by 1929 thus moved 169 ton miles of freight, an increase compared with 1920 of 39 per cent. The figures show that 17.9 per cent fewer workers, getting 21.3 per cent less pay, moved 9.5 per cent more freight in 1929 than in 1920.[6] The same tendency to use fewer workers, pay out a smaller payroll, and obtain a larger product (in this case a service, namely transportation) was as obvious here as in manufacturing.

Railroad transportation, therefore, reinforced the tendency shown so clearly in manufacturing to destroy the purchasing power of the workers and their opportunity to get a job.

The same tendency was seen in mining. In bituminous coal mines, for example, the total output in 1919 was 465,860,058 tons and the average number of employees, 545,798. By 1929, the output had climbed to 534,988,593 tons, while the average number of employees had fallen to 458,732. Here, too, the payroll decline followed closely the decline in employment. The payroll in 1919 was $682,601,100, and in 1929, $574,800,000. Sixteen per cent fewer workers with 15.8 per cent less pay were digging 14.6 per cent more coal.[7]

Soft coal mining in this case was typical of mining generally. The figures given in the report on *Technological Trends and National Policy*, issued by the National Resources Committee of the Federal Government, show that, in mining as a whole, 17.5 per cent fewer men-days of work were required to turn out 5.5 per cent more output

[6] Figures from *Interstate Commerce Commission Report*, 1930, pp. 9 and 44.

[7] Payroll and average number of employees figures are from *Statistical Abstract of the U. S.*, 1937, p. 698. Output figures are from *Mineral Resources of the U. S.* 1921, Part II, p. 481, and, 1930, Part II, p. 614.

in 1929 than in 1920. This meant a decline of more than one-fifth in labor needed per unit of output.

There was a similar decline in the labor requirement in telephone communication. Between 1920 and 1929, the labor needed per unit of output decreased 14.4 per cent in this industry. Due, in part, to the steady introduction of the automatic dial system, by 1934 the decline per unit had reached 24.8 per cent.[8] (The unit of output in this case is a weighted average of exchange and toll connections.) The Bell Telephone System, however, was not contributing to total unemployment. In 1929 it was employing 60 per cent more help and, in 1934, 13 per cent more than in 1920. But the 60 per cent more workers in 1929 were furnishing 82 per cent more output, and the 13 per cent additional workers in 1934 were furnishing 50 per cent more service.

Agriculture shows a tendency similar to that in mining, manufacturing, and railroad transportation. According to a study of Brookings Institution, the productivity per worker in agriculture in the five year period 1917-1921 inclusive was 7.6 per cent greater than in the five year period centering in 1899 as the base. A decade later, however, during the five years from 1927 to 1931, inclusive, the index number for agricultural output per worker had climbed to 132.9 per cent, taking the period centering in 1899 as 100.[9] This represented an increase of over 20 per cent in the ten year period. Agriculture, too, had considerably advanced the production per employee, thus reducing the need for labor. When the mechanical cotton picker gets into full swing, we can expect to see this tendency in agriculture vastly more marked.

All these figures from the different industries cited tell the same story. Labor is becoming steadily less necessary so far as the basic industries are concerned. Less and less labor per unit of output is required. Less and less money is distributed to workers to enable them to buy back the output of industry, though, in manufacturing, the decline in total payroll was noticeably less than was the decline

[8] *Technological Trends and National Policy,* p. 77.

[9] *America's Capacity to Produce,* by the Brookings Institution, pp. 36-38.

in employment, indicating some increase in wage rates. Fewer workers with less wages were expected to buy more output. They did not, and could not because prices did not fall to meet their decreased wages.

The Service Industries

THE figures in these basic industries do not, as is well known, tell the whole story. It is common knowledge that there has been an increase in employment, both relatively and absolutely, in service industries such as recreation, trade, personal service, professional service, and public service. This upward swing is shown dramatically in the following table, which gives the index number of man years of employment in the service industries and the percentage which workers in these industries constitute of the total number of those gainfully employed.[10]

	Man years of employment in the service industries, in index numbers with 1920 as base [11]	In the service industries were the following percentages of all America's gainfully employed
1920	100	30
1924	114	34
1926	126	35
1929	146	36

Considering the matter with reference to output, it is significant and ominous that this growth in employment opportunities in the service industries was *not* sufficient to make up for the radical decrease in employment per unit of output in the basic industries. The

[10] National Resources Board, *Technological Trends and National Policy*, pp. 74-76.

[11] *Ibid.* For the purposes of the above table, the basic industries are considered to be agriculture, forestry and fishing, mining, trnasportation, construction, communication, and public utilities; the service industries—recreation, trade, professional service, personal service, and public service.

total man years of *employment per unit of output* in all lines fell drastically during the nineteen twenties, through the early years of the depression, and again when business began to improve, despite the increase in employment in the service industries. The decrease, not of employment, but of man years of employment per unit of output, was as follows.

Year	Total man years of employment per unit of output in index numbers, with 1920 as a base	Year	Total man years of employment per unit of output in index numbers, with 1920 as a base
1920........	100	1928........	78
1921........	90	1929........	79
1922........	79	1930........	85
1923........	84	1931........	83
1924........	81	1932........	83
1925........	79	1933........	74
1926........	81	1934........	74
1927........	81	1935........	72

In other words, even including the service industries, and allowing fully for what they do in taking up some of the slack caused by the persistent decline in the amount of labor needed per unit of output in the basic industries, there is still a decline in the total employment per unit of output under capitalism in America. Labor sinks in importance as a factor in production. Capitalism, which permits the worker to get an income as of right only when he gets a job, is slowly but steadily squeezing more people outside of its functioning activities altogether, and into the limbo of those who must go on relief or seek made work of some sort such as the government offers on the W.P.A. or P.W.A.

While service industries were gaining at the expense of basic industries (although not enough to make up for the decrease of employment in the latter), within the basic industries themselves the

proportion of those engaged in service or overhead work has been gaining at the expense of the number actually engaged in production. Especially great has been the gain in the proportion of those engaged in selling. This is plain from the data published in a bulletin of the United States Bureau of Labor Statistics, dealing with *Average Annual Wage and Salary Payments in Ohio*. The figures are as follows:

Percentage of wage earners, office workers and sales force in Ohio industries.(a)

Industrial and Occupational groups	1920	1929
Manufacturing		
Wage earners	90.1	89.0
Office workers	9.2	9.8
Sales force	.7	1.2
Transportation and Public Utilities		
Wage earners	87.3	81.4
Office workers	12.3	17.4
Sales force	.4	1.2
Construction		
Wage earners	93.9	92.4
Office workers	5.2	6.2
Sales force	.9	1.4

In this table all the employees of the respective industries are included in the category of that industry. Thus, stenographers, salesmen, and engineers employed by manufacturing concerns are included as working in the basic industries.

(a) *Bulletin 613*, on *Average Annual Wage and Salary Payments in Ohio*, pp. 24, 39, and 171.

The point of the whole analysis which preceded the citation of the statistics is that the tendency which was so clearly marked in the decade from 1919 to 1929 was not a mere accident of that decade only. It is not a tendency confined to any one industry. It is rooted in the capitalist system, and is due to the fact that labor under capitalism is an item of expense in production. The profit drive leads owners of industry to eliminate labor as far as possible, as a means of cutting down expense. Labor then takes a blind revenge on the capitalist system, when the reduction of its purchasing power, among other things, brings about under-consumption, and a glut in the market with unemployment and hard times. The Socialist analysis holds good.

Apologists for machine production and capitalism directly contradict the conclusion which seems evident from the facts and the theoretical analysis here given, and insist that machinery is really not hurting employment at all. They base their contention on the fact that we now employ a larger proportion of the population than we did at the beginning of the century. The figures they cite are true, but do not bear careful analysis.

These apologists declare that, in 1900, we provided employment for 38.3 per cent of the population, and, in 1930, for 39.8 per cent.[12] But this increase was due primarily to the decline of the birth rate. Because of that decline, a larger proportion of the population was in the age group that usually works, and a smaller proportion in the age group of children, who usually do not work. In 1930, we were giving employment to fewer of those old enough to work. The percentage of the population *ten years old and over* who were gainfully employed went down from 50.2 per cent in 1900 to 49.5 per cent in 1930.[13]

There was, during this period, also a considerable growth in the proportion of women working. The percentage of males over ten

[12] 1930 Census; Vol. IV, p. 17.
[13] 1930 Census; Vol. IV, p. 17.

years of age who were gainfully employed was 80 per cent in 1900, and only 76.2 per cent in 1930. But, in the meantime, the percentage of women more than ten years old who were working increased from 18.8 to 22 per cent. As it became harder and harder for men to find steady jobs with pay enough to support their wives and daughters, women were forced into industry.

We cannot be dogmatic about what the figures do prove, but we can assert dogmatically that they do *not* prove that machinery has increased opportunities for employment. On the contrary, the figures, when properly analyzed, tend fairly clearly to indicate that machinery has decreased the employment opportunities for the age and sex groups most usually employed. Thus we see that, under our capitalist system, insecurity is increasing as the years advance.

This insecurity is inherent in the capitalist order. Under Capitalism, the owners of industry, in a quest for profit, are constantly seeking to reduce unit labor cost. They do this in various ways—by reducing wages; by substituting women and child workers for adult men workers; by subjecting workers to a speeding-up system; by transfering business to regions of low labor standards; by constantly installing new machinery and, when production costs decrease, by resisting proportionate decreases in prices; in many instances, through monopolistic practices of various kinds by increasing the prices charged for the commodities and services they sell.

In America these practices have been accompanied by a sharp reduction in the labor force employed in the manufacturing, railroading, coal mining, and agricultural industries. While the workers in the service industries and in the distribution end of manufacturing increased in number during the twenties, this increase was not sufficient to absorb those unable to obtain work in factories, in mines, on the railroads, and on the farms. This situation, in turn, means inadequate mass purchasing power, underconsumption, market gluts, unemployment, economic crises.

THE NEW DEAL AND THE DEPRESSION

At the beginning of the New Deal, many there were who maintained this new venture in American political life would solve the problem of economic depression. Fundamentally, however, the New Deal has not changed the situation. Labor is just as much of an expense, a mere cost of production, under the New Deal as under the Old Deal. The N.R.A. codes, for example, attempted to raise wages and to increase employment by reducing the hours of labor. But at the same time employers were exempted from the Sherman Anti-Trust law and they used this power to raise prices. Similarly they sought through speed-up to compensate for reduction in the hours of labor.

The Federal government's official sanction of wide differentials in W.P.A. wages as between North and South has already been pointed out.

It is unnecessary to stress the point that the failure of the New Deal to change fundamentally the position of labor, and the decrease in government expenditures resulted in another depression, or "recession", as the New Deal apologists prefer to call it. Capitalism, either under the New Deal or the Old Deal, inevitably causes periodic hard times. For the same causes produce the same results. Under the New Deal, as under the Old Deal, labor is the most important single factor in the total purchasing power of the community. The attempt by capitalists to keep labor costs, and, therefore, labor income, low, has been a basic cause of continued overproduction and unemployment.

Ample warning was given by our industrial statistics of the "recession" of 1937 under Roosevelt, as was the case with the depression beginning in 1929 under Hoover. In December, 1936, the index number for industrial output, taking the average of the years 1923, 1924, 1925 as the base,[14] was up to 121 per cent of the pre-depression figure while payrolls were only up to 95.2 per cent as much as the total payroll in those three typical pre-depression years.[15] And the

[14] 1938 Supplement, *Survey of Current Business*, p. 8.

[15] *Ibid.*, p. 40.

index number for employment in manufacturing was only up to 98.1 per cent of the pre-depression rate.[16] The same sort of spread between big increases in production and smaller increases in pay, which started the depression in 1929 and 1930, was clearly visible in these figures.

The "recession" foreshadowed early in 1937 was postponed for a short time, largely by two factors. The active work of the unions, especially that of the industrial unions, resulted, in the latter part of 1936 and early 1937, in considerable increases in pay and considerable reductions in the work period in a wide variety of industries. This tended somewhat to narrow the gap between output, on the one hand, and pay and employment on the other. European demands for armament materials and the public works program of this country, tended to stimulate business and employment for a brief period in the early part of 1937. But the employers took advantage of the armament demand to raise the prices of basic materials needed for munitions. They seized the occasion of wage increases to advance prices. In this way, they soon put over indirect wage cuts which prevented the working class as a whole from making gains substantial enough to close the wide gap which had developed by the end of 1936 between output and the purchasing power of the working class. And the government reduced its spending which might have tended to maintain working class purchasing power. The consequence was that, when the decline in production began in the latter half of 1937, it proved to be one of the most precipitous nose dives in business activity that this country ever experienced.

Why were the warnings I have mentioned so generally overlooked? The answer can be given very briefly. Many business men watch the stock market for their cue, while most business commentators and economists are steeped in the economics of capitalism. They, therefore, take such evidences of prosperity as the stock exchange for their guide, rather than figures which show the relation between the pay and the productivity of labor. They are likely to adopt the hard boiled business man's point of view that, since he and his fellow investors are prosperous, and the Dow-Jones index of stock prices

[16] *Ibid.*, p. 31.

shows a vigorous advance, anyone who does not have a job in private industry must be deliberately avoiding work or must prefer "shovel leaning" on the W.P.A. to "real work" with 50 per cent longer hours, but often without correspondingly larger pay.

Naturally, with a big increase in output and a much smaller rise in labor costs, profits in 1936 and the first half of 1937 soared, and stock exchange prices reflecting such profits soared with them. The total value of stocks listed on the New York Stock Exchange on March 1, 1933, just before Roosevelt took office, was $19,700,-000,000. By March 1, 1937, the total value was $62,618,000,000, or three times as large.[17]

Looking at these figures, it is no wonder that economists and business men were dazzled with a belief that "prosperity" had arrived. Certainly all seemed right with the world even though Roosevelt, instead of Coolidge or Harding, sat in the White House. It could have required the analysis of someone not completely wedded to the proposition that capitalism was fundamentally sound to give due weight to the storm signals which showed how labor's purchasing power was seriously lagging as compared with the output of industry. The 1937-1938 "recession" simply showed again that the inner contradiction of capitalism was working all the time and overtime.

COMBATTING THE INNER CONTRADICTIONS OF CAPITALISM

HERETOFORE, we in America have paid little attention to this inner contradiction of capitalism. We could be and we were blindly optimistic. We even developed a doctrine of rugged individualism, which is simply a more polite term for the policy of "each for himself, and the devil take the hindmost." Labor seemed to be holding its own in the proportion of the national income which it obtained.

[17] *New York Stock Exchange Bulletin,* March, 1938, p. 5.

There was an economic reason for this naive belief that "the natural forces of economic recovery" would pull us out of depressions, and that a steadily higher standard of living was in store for us. Throughout most of our country's history we had free land in the West. "The hindmost" in our economic race simply trekked West over the covered wagon trail to take up free farms from the government. This free land in the West acted as the safety valve for unemployment. It cushioned the severity of our depressions and helped to pull us out of them quickly. As labor was drained West, wages were free to rise in the industrial East, and high wages gave a special stimulus to labor-saving devices which tended to increase output. The statistics showed that, up to the war period, labor was maintaining its share of the national income.

But today the free land in the West has gone, unless the government gives out so-called farms on barren mountain tops or in the deserts. The safety valve for unemployment has become jammed. The pressure of unemployment on the labor market will tend to prevent wages from rising as production per worker increases. We may thus expect unemployment in the future to rise steadily over a long period, and labor to get a smaller proportion of the national income, unless we scrap the philosophy and practise of rugged individualism.

Adequate Relief for the Unemployed

The first and most humanly necessary thing to do is to adopt the definite policy that the government must provide purchasing power and useful work for the unemployed, the men who are squeezed out of our private industries today, and who are unable to escape, as in the past, into the West. As a definite and permanent policy, the government should provide employment on useful public works for workers whom capitalism will not use. Of these public undertakings, housing is among the most important.

The relief provided by the Social Security law, and the state unemployment insurance laws, must be made more generous, while the

old age pension and unemployment insurance systems should include in their scope, domestic servants, farm workers, and employees of charitable and religious institutions. As far as possible, social insurance funds should be built up from tax levies on incomes and inheritances. After all, such taxes are by far the most equitable of all levies, for the man who pays the largest taxes, where the system is devoid of loop-holes, has the most left after the tax is paid.

Strengthening the Unions

Organized labor strives mightily to raise wages and reduce the hours of labor. Unless it succeeds in so doing, increasing productivity per worker will inevitably create more unemployment. Strengthening the power of organized labor will have important beneficial effects in counteracting the evil results from the inner contradiction of capitalism. Everyone who wants to see the country avoid depressions should help to increase the strength of organized labor.

Public Ownership

Even if organized labor could compel increased pay in proportion to the growth in physical output, it could not prevent additional advances in price accompanying such rise in wages. And, as was said before, the owner of industry, with his eye directed to securing maximum profits, constantly tries to pass on increased wages to consumers in higher prices.

Under public ownership, however, where the satisfaction of human needs, rather than profits, is the goal of industrial activity, the advantages of increased productivity can and will be passed on to workers and consumers through higher wages and lower prices proportionate to increased productivity.

A genuine Cooperative Commonwealth of labor would manage its publicly owned industries in such a way as to share the gains

from new machinery between the workers in the industry where the new machinery was installed, on the one hand, and the whole body of consumers, through lower prices for the product, on the other.

Effective Planning Requires Public Ownership

Of course, if "our" entire national industry were run according to a definite plan to reduce prices or raise wages and reduce the hours of labor equally with increased productivity, it would be of relatively little importance whether industry were publicly owned. To that extent, those who say that it is not the private ownership of industry for private profit, but the lack of planning, which causes unemployment, are correct.

The difficulty with the proposition that planning, rather than public ownership, is more important for social progress, is that such planning, to be effective, must be drastic, and drastic planning of industry is not easily compatible with private ownership. The private owners want to get a profit by raising wages and reducing the hours of labor, either not at all, or at any rate less than the reduction in labor costs which is made possible by the introduction of new labor-displacing machinery. As far as reducing prices is concerned, they avoid that as they would the plague. On the plea of stabilizing industry they bring all possible pressure to bear on other concerns in the industry to prevent "price wars", as they call price cutting.

Merely trying to regulate privately owned industry in accordance with a plan for the use of our technical equipment for the good of all, means trying to regulate industry against the interests of those who own and control it and who, therefore, would do all in their power to emasculate the plan at its inception, or to evade it in one way or another after it had been adopted. Only if industry were publicly owned would it be run by those who made the plan, and who would presumably desire to make the plan work.

Only then would the present gross and unjust inequality of wealth and income, which is based largely on unequal private ownership of the means of production and distribution, be eliminated. Only then

would income drawn from industry be distributed on the basis of one's physical and intellectual contributions to industrial life. Only then would the masses possess the effective power to purchase the goods and services which the industrial system was able to create. Only then would it be possible to make such adjustments in wages, salaries, prices and production both of consumers' goods and of new capital equipment, as would keep fully employed all of our mechanical and human resources. Only then could we eliminate the tragic wastes of our competitive system and advance to a secure and abundant economy.

Of course, such a system of public ownership must be accompanied by a thoroughly democratic political system, and by democratic management of industry, in which the consumer, the worker and the technician were adequately represented. It should provide for as much decentralization as was consistent with maximum efficiency, and of course the degree of decentralization would differ in different industries. It should encourage the organization, side by side with public industries and services, of voluntary cooperative groupings, particularly in such industries as agriculture. And it should utilize every worthy incentive calculated to stimulate hand and brain workers to achieve maximum social results.

This goal can be attained only as a result of the organization of the great masses of the people in powerful political, industrial, cooperative and cultural organizations democratically controlled by them and dedicated to a cooperative commonwealth of labor. The attainment of such a society constitutes the chief hope of future civilization.

BOOK REVIEW

"American Problems of Today: A History of the United States Since the World War." *By Louis M. Hacker. Crofts*, 1938. 354 pp.

In the two decades following the signing of the Armistice, the United States had to effect the transition from a wartime to a peacetime economy. Depression came, followed by an era of unprecedented prosperity, and this was followed in turn by unprecedented depression. The Roosevelt administration, attaining power when our economic machinery had all but ceased to function, launched a bewildering array of experiments. Such are the crowded twenty years described by Louis M. Hacker in his thorough and accurate, yet readable, volume.

The sections of the book that tell the story of the New Deal, in a full yet critical manner, are admirable. With some of this material readers of Hacker have already been familiar in the pages of his "A Short History of the New Deal." Hacker is one of the competent economic historians of our time, and his compactly written and closely reasoned analysis of the New Deal is an excellent piece of writing.

Hacker is frank enough to call attention in the preface to certain of his opinions which crop out from time to time in the book. He believes that capitalism cannot continue to function in terms of a free market, that we must guard against oppression at the hands of the bureaucracy of state capitalism, and that there is great danger that Roosevelt may involve us in a foreign war.

With the first and third of these beliefs almost all socialists will agree; with regard to the second point, however, it will seem to many that Hacker overestimates the danger that is involved. The important issue, after all, is whether a New Deal program promises to

achieve good, in the manner of the National Labor Relations Board, the Tennessee Valley Authority, or the Social Security Board. If so, the agency set up to administer the program must be adequately staffed. It is well to have a possible future danger in mind; but as yet we are a long way from the point where "The topheavy apparatus of state capitalism finds it more and more impossible to support society; rather, its weight is likely to crush it."

The book is equipped with a fairly extensive bibliography. Hacker's work would be even more useful to students had the author given sources for more of his information. Both to students and to the general reader, however, the volume will prove of great interest and value.

JOEL SEIDMAN

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